

## Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-02 CIAE-00 COME-00 DODE-00  
DOTE-00 INR-07 NSAE-00 CIEP-01 FAA-00 XMB-02 /032 W  
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FM AMCONSUL ZAGREB  
TO SECSTATE WASHDC 4209  
INFO AMEMBASSY BELGRADE

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ALSO PASS EXIMBANK

E.O. 11652: N/A  
TAGS: EAIR, YO  
SUBJECT: PAN ADRIA LOOKS TO RESUMED OPERATIONS IN SPRING

ALSO PASS EXIM

REF: ZAGREB 898

1. REFTEL REPORTED THAT PAN ADRIA, A FEEDER AIRLINE HEAD-QUARTERED IN ZAGREB, HAD GROUNDED ITS FLEET OF FIVE FH-227'S EARLY IN OCTOBER 1976 FOR LACK OF SPARES. THE CARRIER THEN MADE APPLICATION TO THE REPUBLIC OF CROATIA GOVERNMENT FOR FINANCIAL ASSISTANCE IN ORDER TO ENABLE THE CARRIER TO BUY SPARES AND TO RESUME OPERATIONS.

2. A CONGEN OFFICER MET WITH TWO PAN ADRIA DEPARTMENT HEADS (GALOVIC - TECHNICAL AND KOCEIC - PURCHASING, BOTH RELATIVELY NEW IN THEIR PRESENT POSITIONS) DECEMBER 29 TO TAKE UP AN ALLEGHENY AIRLINES INQUIRY CONCERNING UNPAID INVOICES AMOUNTING TO DOLLARS 35,000 FOR SPARES PREVIOUSLY SHIPPED. (THE CONSUL GENERAL WILL WRITE DIRECTLY TO ALLEGHENY TO PASS ALONG THE RESPONSE THAT ACTION HAS BEEN INITIATED TO SETTLE  
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THESE ACCOUNTS.) IN THE COURSE OF THE DISCUSSION, THE PAN ADRIA REPS MADE THE FOLLOWING COMMENTS ON THE LINE'S PROSPECTS FOR FINANCIAL RELIEF AND RESUMPTION OF FLIGHT OPERATIONS.

3. THE CARRIER'S MANAGERS ARE HOPEFUL THAT "WITHIN 15-20 DAYS" FINAL ACTION WILL BE TAKEN BY THE REPUBLICAN GOVERNMENT

ON THE FINANCIAL ASSISTANCE PLAN. GALOVIC DESCRIBED THE PLAN AS "A CONTINUOUS PROGRAM" TO COVER THE PERIOD THROUGH AT LEAST 1980 AND INTENDED TO SEE THE LINE BACK TO A STATE OF GOOD FINANCIAL HEALTH (VIZ., A LONG TERM OPERATING SUBSIDY) RATHER THAN MERELY A ONE-SHOT INJECTIONS OF FUNDS. HE SAID THE PRINCIPLE OF GRANTING FINANCIAL ASSISTANCE FROM THE REPUBLICAN GOVERNMENT HAD BEEN ACCEPTED AND THE QUESTION NOW IS ONE OF HOW QUICKLY THE DETAILS CAN BE WORKED OUT.

4. WHILE ANTICIPATING THERE WILL BE CLOSE COOPERATION IN THE FUTURE WITH JAT AND OTHER YUGOSLAV CARRIERS, GALOVIC CONSIDERED THE LONG DISCUSSED PROPOSAL FOR COMPLETE MERGER OF ALL CARRIERS A DEAD ISSUE, THUS RULING OUT ANY IMMEDIATE EQUIPMENT CHANGES IN PAN ADRIA'S FLEET ON THE BASIS OF STANDARDIZATION. FOR THE NEXT SEVERAL YEARS, AT LEAST, PAN ADRIA EXPECTS TO CONTINUE TO OPERATE THE FH-227'S. HOWEVER, THE LINE IS CONDUCTING LONG RANGE STUDIES TO DETERMINE THE MOST ECONOMICAL AND EFFICIENT AIRCRAFT FOR PAN ADRIA'S OPERATING PATTERN AND EXPECTED ROUTE STRUCTURE.

5. THE CARRIER PLANS TO HAVE THREE AIRCRAFT READY FOR RENEWED OPERATION BY MARCH 1, 1977 AND THE OTHER TWO BY MAY 1, 1977. GALOVIC STATED, "THERE IS NO POINT IN STARTING UP IF WE CANNOT USE THE ENTIRE FLEET. OTHERWISE WE CANNOT MAINTAIN OUR SCHEDULES AND MEET OUR COMMITMENTS." HE CONSIDERS THE PROPOSED TIMETABLE REALISTIC AND ONE THAT WOULD ALLOW THE CARRIER TO BE ON STREAM AT FULL STRENGTH WHEN THE TOURIST SEASON BEGINS, BUT HE POINTS OUT THAT EARLY FINALIZATION OF THE FINANCIAL PLAN IS THE ESSENTIAL PREREQUISITE.

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6. ALL EMPLOYEES, INCLUDING FLIGHT CREWS, HAVE BEEN KEPT ON THE PAYROLL "TO PERMIT A QUICK RESUMPTION OF SERVICE AS SOON AS THE FINANCIAL ARRANGEMENTS HAVE BEEN MADE." (COMMENT: UNLESS AN ENTERPRISE IS ABOUT TO BE DISSOLVED, IT IS RARE FOR EMPLOYEES TO BE LAID OFF IN YUGOSLAVIA. THUS, PAN ADRIA'S RETENTION OF ALL EMPLOYEES, EVEN IN ITS PRESENT CIRCUMSTANCES, FITS THE NORM.) IN RESPONSE TO CONGEN OFFICER'S QUESTION, GALOVIC SAID THAT ALTHOUGH NO REVENUES ARE BEING GENERATED, THERE ARE SUFFICIENT FUNDS ON HAND -- PARTIALLY DERIVED FROM BANK LOANS -- TO CARRY THE ENTIRE PAYROLL. A SECOND, SMALLER DIVISION OF PAN ADRIA, FLYING PIPER AIRCRAFT FOR CROP DUSTING AND AIR TAXI SERVICE, WAS NOT AFFECTED BY THE GROUNDING OF THE FH-227 FLEET.  
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## Message Attributes

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**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** CIVIL AVIATION, TECHNICAL ASSISTANCE, SUPPLIES, COMMERCIAL AIRCRAFT, AIR ROUTES, AIRCRAFT SALES, AIRLINES, LOANS, FOREIGN ASSISTANCE, DIPLOMATIC DISCUSSIONS, MEETING REPORTS  
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